

Message Text

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ACTION COME-00

INFO OCT-01 ARA-10 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01

CIAE-00 DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05

L-03 LAB-04 NSAE-00 PA-01 AID-05 SS-15 STR-05

ITC-01 TRSE-00 PRS-01 SP-02 OMB-01 NSCE-00 SSO-00

USIE-00 INRE-00 DOTE-00 /088 W

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 7450

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E.O. 11652: N/A

TAGS: ETRD GATT MTN PE

SUBJ: REVIEW OF LOCAL CONTENT REQUIREMENTS -- PERU

REF: (A. STATE 258716, B. LIMA 8759

1. LOCAL CONTENT REQUIREMENTS SET BY PERUVIAN LEGISLATION ARE MANDATORY ONLY WITHIN AUTOMOTIVE SECTOR, ALTHOUGH FOR VARIOUS POLITICAL AND ECONOMIC REASONS FOREIGN INVESTORS, ESPECIALLY IN ELECTRONICS SECTOR, USE LOCAL COMPONENTS TO AS GREAT AN EXTENT AS LOCAL AVAILABILITY PERMITS. SOME SOURCES ALSO TOLD US THAT WITHIN THE ELECTRONIC SECTOR GOP ALSO REQUIRES INVESTORS ON A CASE BY CASE BASIS TO USE A SPECIFIED PROPORTION OF LOCAL ORIGIN COMPONENTS, BUT THERE IS NO UNIFORM REGULATION CONVERING THIS SECTOR.

2. WITHIN THE AUTOMOTIVE SECTOR LOCAL CONTENT REQUIREMENT VARIES FROM 10 TO 35 PERCENT AS FOLLOWS:

10 PERCENT FOR WORK VEHICLES (PASSENGER OR CARGO) UP TO 2 TONS.

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25 PERCENT FOR PASSENGER VEHICLES UP TO 1500 CC AND WORK VEHICLES OVER 9 TONS.

35 PERCENT FOR PASSENGER VEHICLES OVER 1500 CC, PICK-UP TRUCKS FROM 1/2 TO 2 TONS AND WORK VEHICLES FROM 2 TO 9 TONS.

WITHIN THE LOCAL CONTENT PERCENTAGES INDICATED ABOVE, THE AUTO MANUFACTURERS ARE ALSO REQUIRED TO INCLUDE SPECIFIC LOCALLY PRODUCED PARTS STIPULATED BY THE MINISTRY OF INDUSTRY.

3. ABOVE REQUIREMENTS WILL CHANGE AS ANDEAN COMMON MARKET (ANCOM) AUTOMOTIVE PROGRAM, WHICH WAS APPROVED SEPTEMBER 12-13, 1977, IS IMPLEMENTED IN THE COURSE OF THE NEXT SEVERAL YEARS. UNDER THE ANCOM PROGRAM CHASSIS FOR ALL VEHICLES (TRUCKS AND PASSENGER CARS) MUST BE 50 PERCENT REGIONAL ORIGIN BY END OF 1981; DEADLINE FOR 50 PERCENT REQUIREMENT FOR AUTO AND TRUCK BODIES IS END OF 1985. IN ADDITION, ANCOM AUTO PROGRAM ALSO LISTS SPECIFIC PARTS THAT MUST BE OF REGIONAL OR NATIONAL ORIGIN. LOCAL INDUSTRY SOURCES WERE NOT ABLE TO TELL US WITH ANY CERTAINTY WHETHER GOP WILL IMPOSE ADDITIONAL LOCAL CONTENT REQUIREMENTS BEYOND REQUIREMENTS ESTABLISHED IN ANCOM PROGRAM. FULL DETAILS OF ANCOM AUTO PROGRAM ARE CONTAINED IN ACTA FINAL OF 19TH EXTRAORDINARY SESSION OF THE ANCOM COMMISSION, WHICH WAS POUCHED TO ARA/ECP AND COMMERCE UNDER COVER OF AIRGRAM 182 OF OCTOBER 7.

4. OBVIOUSLY LCR FOR MOTOR VEHICLES HAS SOME ADVERSE EFFECT UPON U.S. EXPORTS TO PERU IN AUTOMOTIVE SECTOR, LIMITED OFFICIAL USE

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BUT MORE IMPORTANT FACTOR IS COMPETITION OFFERED FROM OTHER FOREIGN MANUFACTURERS (TOYOTA, DATSUN AND VOLKSWAGEN CARS AND VOLVO TRUCKS) WHO ASSEMBLE THEIR PRODUCTS HERE. IF MODIFICATIONS IN REQUIREMENTS COULD BE NEGOTIATED IT IS LIKELY THAT U.S. EXPORTS WOULD INCREASE, BUT THE PROBABILITY OF SUCH MODIFICATION IS REMOTE IN VIEW OF PERU'S DESIRES TO DEVELOP ITS AUTOMOTIVE SECTOR WITHIN THE TERMS OF THE ANCOM PROGRAM. OVERALL IMPORTANCE OF LOCAL CONTENT REQUIREMENTS TO PERU'S DEVELOPMENT EFFORT MAY BE SMALL, BUT GOP'S PERCEPTION IS THAT SUCH REQUIREMENTS CONTRIBUTE TO THE COUNTRY'S ECONOMIC INDEPENDENCE. CONSEQUENTLY, WE DOUBT THAT PERU WILL MOVE EASILY TO REDUCE OR HOLD LCR'S AT CURRENT LEVELS. FOREIGN MINISTRY OFFICIALS CONCERNED WITH MTN ARE UNHAPPY WITH U.S. POSITION THAT LDC'S SHOULD RECI-PROCATE FOR TRADE LIBERALIZATION MEASURES UNDERTAKEN BY INDUSTRIALIZED COUNTRIES, SO WE SEE LITTLE POSSIBILITY OF EASING OF LCR'S UNLESS QUID PRO QUO FROM U.S. SIDE IS EXTREMELY ATTRACTIVE. EVEN THEN PERU'S PARTICIPATION IN ANDEAN COMMON MARKET AUTO PROGRAM WILL LIMIT PERU'S FREEDOM OF ACTION.

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